

PUBLIC SERVICE COMMISSION OF WISCONSIN

Universal Service Fund Council

SUMMARY OF JUNE 1, 2005 MEETING

Meeting Date: June 1, 2005

Place: Public Service Commission Building, 3rd Floor - Madison, WI

Universal Service Fund Council (USFC) members present: **Dick Schlimm** – WICAP (**Council Chair**), **Jill Collins**- Ameritech (**Council Vice-Chair**); **Tom Frazier** – WI. Aging Groups; **Pamela Sherwood** – Time Warner; **Pam Holmes** – Ultratech; **Jeff Beck** – Americable; **Helen Gee** - Community Advocates; **Gwen Jackson** – Red Cross; **Jean Pauk** - TDS Telecom; **Fred Weier** – Tri-County; **Paul Fuglie** – Verizon.

USFC members absent: Gary Radloff; Will Hughes

PSC personnel participating: Anita Sprenger; Pete Jahn; Jeff Richter;

Other persons present: Cindy Simon – LAB; John Schafer – CenturyTel, Mike Wirl – Verizon, Stephanie Harrison – WPHCA, Kelly Rehbeck – CDHH, Matt Hellmer – AVADA, Brianne Hellmer – AVADA, Roseanne Latham, Jack Cassell – DOA.

Introductions

Dick Schlimm opened the meeting at 9:35 p.m. A quorum was present (11 of 13).

The August 30, 2004 meeting minutes were approved.

Chair Schlimm asked if there were any comments or presentations from public members. Stephanie Harrison representing the Wisconsin Primary Health Care Association asked that consideration be given to allocating money to the Telemedicine program for FY06 since the program was not funded in FY05.

Selection of the USF Chair and Vice Chair for 2005

Nominations for the chair were requested. Dick Schlimm was nominated; he accepted, and the Council voted unanimously to reelect Dick to another term. Nominations for the vice-chair were opened. Tom Frazier was nominated and declined. Jill Collins was nominated and accepted the nomination. The Council unanimously voted to elect Jill Collins as Vice Chair.

USF Program and Budget Update

Anita Sprenger provided the Council with a proposed budget for FY06 budget that also included expenditure levels for FY05 (attached at the end of the minutes). In reviewing the handout, Anita discussed several factors that were causing a budget shortfall for the second year.

1. Lifeline and LinkUp. Lifeline and LinkUp are both expected to be significantly over budget for FY05. Like the previous fiscal year, this is partially driven by reimbursement requests for past fiscal years and because new providers in the residential sector that are not ETCs, receive full reimbursement from the state because they are not eligible for reimbursement under the federal program. Our current rules require that we reimburse these providers. In addition, about \$440,000 from the FY05 deferred payments for Lifeline and Link will need to be paid in FY06.
2. TEPP. While expenditures for this program were very high early in the fiscal year, the changes that were made to

the program have had the intended effect and expenditures have stabilized. While TEPP is over budget for the current fiscal year, trends show that expenditures have stabilized.

3. HRAC. Projected expenditures are based on current monthly expenses. Regulatory changes at the Federal level could affect expenses for this program but these can not be predicted at this time.

4. Newsline for the Blind. Zero funding is needed for FY06 because DPI will use unspent funds from previous years.

5. Public Interest Payphone. About 125 phones are subsidized under this program, throughout the state. An estimate of need for funding for these phones for the next fiscal year is included in the proposed budget. PSC staff continues to work with some one of the providers because of increased costs of its phones and audit of the company that showed there has been poor documentation of costs. Staff has some concerns with this program because of how the rules state subsidies should be determined and they will be looking at changes in the program. Jill Collins suggested that a committee of some Council member be formed to look at program changes. Gwen Jackson, Jeff Beck, Jill Collins, Jean Pauk and Pamela Sherwood volunteered to serve on the Committee. When issues with the provider have been resolved this committee will begin to meet.

6. Telemedicine and Nonprofit Grant Programs. Because of uncertainty of staying within the allocated budget for USF programs, the Council recommended to the Commission that \$614,000 be split between the grant programs (Nonprofit and Telemedicine), but that the grants not be awarded until later in the fiscal year when a review of the budget situation will determine if dollars are available for these two grant programs.

7. Administration. Includes all costs for printing, Wipfli LLP for administration of the USF, DOR costs for Lifeline verification, LAB audit costs and other miscellaneous administrative costs. No major changes expected.

The Council approved the attached budget and recommended that it be forwarded to the Commission for its approval.

The Council also discussed the need to consider increasing the USF budget because of the increasing needs for USF dollars by the various programs. Discussion included the need to assess a broader range of providers. Jurisdictional issues may be an issue when considering assessing other providers. The Council concluded by stating its intent to continue the discussion on how to increase the budget in the next meeting.

Legislative Audit Bureau (LAB) Report

The LAB is close to wrapping things up for its audit of FY04. It has expressed some concerns about deferring payments to the next fiscal year. A report will be issued late this summer.

PSC 160 Revisions

Anita Sprenger stated that the revision of PSC 160 is still on hold. Major issues and changes in the draft rule that have slowed progress are the ETC provisions and modem speed issue.

The meeting adjourned at 11:58 a.m. The next meeting will be in late 2005.

Public Service Commission - Universal Service Fund

FY2005 Budget and Expenditures and FY 2006 Proposed Budget

| USF PROGRAM | FY 2005 Budget \$ | FY 2005 Expenditures as of 4/30/05 \$ | FY 2005 Estimated Total Expenses ¹ \$ | Est. \$ Deferred from FY05 to FY06 | FY 2006 Proposed Budget \$ |
|--|-------------------------|--|--|--|-------------------------------------|
| Telecommunications Equipment Purchase Program | 2,350,000 | 2,168,327 | 2,450,000 | 759,775 ² | 1,900,000 ³ |
| Rate Shock Mitigation | 0 | 0 | 0 | 0 | 0 |
| High Rate Ceiling Credit | 300,000 | 234,232 | 321,967 | 84,077 | 290,000 ⁴ |
| Lifeline | 1,160,000 | 1,321,532 ⁵ | 1,900,000 ⁶ | 487,769 | 1,700,000 |
| Link-up | 650,000 | 802,682 ⁷ | 1,009,090 ⁸ | 203,865 | 1,000,000 |
| Outreach for Low-Income Programs | 0 | 0 | 0 | 0 | 0 |
| Newsline for the Blind | 67,500 | 67,500 | 67,500 | 0 | 0 |
| Non-Profit Groups – Access Grant Program | 500,000 | 500,000 | 500,000 | 0 | 307,000 |
| Telemed Equipment Grant Program | 500,000 | 0 | 0 | 0 | 307,000 |
| Public Interest Payphones | 210,000 | 121,445 | 150,000 | 0 | 212,000 |
| Two Line Voice Carryover | 2,500 | 1,424 | 1,800 | 0 | 2,000 |
| Provider of Last Resort | 0 | 0 | 0 | 0 | 0 |
| Voicemail for Homeless | 0 | 0 | 0 | 0 | 0 |
| Eligible Telecomm. Carrier | 0 | 0 | 0 | 0 | 0 |
| Advanced Services | 0 | 0 | 0 | 0 | 0 |
| Administration | 260,000 | 221,554 | 270,000 | 0 | 282,000 |
| Total for the FY | 6,000,000 | 5,438,696 | 6,670,357 | 775,711/ 1,535,486⁹ | 6,000,000 |

¹ Includes estimated expenses for May and June and includes expenses for Lifeline, LinkUp and RCCP that are being held or are pending because of the need to provide documentation to Wipfli LLP.

² Includes outstanding issued vouchers less than 150 days old through April 30, 2005 and all approved but unissued vouchers. Generally, 50 to 70 percent of this liability will actually be realized the following fiscal year (2006).

³ Extrapolated by multiplying the average monthly program expenditure from Jan. – April 2005 times 12 to obtain an annual expenditure that reflects recent monthly expenditures..

⁴ Does not assume any significant rate changes in rural high cost areas of the state due to the FCC's Intercarrier Compensation Reform Plan or due to carrier rate changes.

⁵ Includes \$269,008 of expenses deferred from FY04 to FY05.

⁶ Includes late reimbursement requests for \$74,682 in costs incurred in the previous fiscal year for CenturyTel and \$100,695 in costs incurred in 2002 and 2003 for TDS Telecom.

⁷ Includes \$172,510 of expenses deferred from FY04 to FY05.

⁸ Includes late reimbursement request by TDS Telecom for \$11,429 for costs incurred in 2002 and 2003.

⁹ The first amount is payments being held for Lifeline, LinkUp and HRAC as of 5/24/05; the second amount also includes the outstanding TEPP voucher amounts.